

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**

Wednesday, October 19, 2005 – 2:00 p.m. – Room W135 House Building

Members Present:

Sen. Curtis S. Bramble, Senate Chair
Rep. Wayne A. Harper, House Chair
Sen. Mike Dmitrich
Sen. Lyle W. Hillyard
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Sheryl L. Allen
Rep. Tim M. Cosgrove
Rep. Glenn A. Donnelson
Rep. Craig A. Frank
Rep. Gregory H. Hughes
Rep. Fred R. Hunsaker
Rep. Bradley G. Last
Rep. Rebecca Lockhart
Rep. Rosalind J. McGee
Rep. Carol Spackman Moss
Rep. Merlynn T. Newbold

Members Absent:

Sen. Brent H. Goodfellow
Rep. Ralph Becker
Rep. Patrick L. Painter
Rep. Gordon E. Snow

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Bramble called the meeting to order at 2:41 p.m. Rep. Painter was excused from the meeting. Chair Bramble noted that Rep. Harper would be late for the meeting.

MOTION: Rep. Frank moved to approve the minutes of the September 21, 2005 meeting. The motion passed unanimously with Pres. Valentine, Rep. Allen, Rep. Harper, and Rep. Hughes absent for the vote.

Mr. Howe distributed and discussed "Federal Tax Changes in 2005 Impacting Utah." He explained that this report was prepared by the Utah State Tax Commission in accordance with state law. He explained changes to the Internal Revenue Code that may increase or decrease state tax revenue.

2. Progress Report from the Tax Reform Task Force

Staff distributed "Tax Reform Task Force - Summary of Preliminary Proposals."

Sen. Dmitrich explained that the Property Tax Working Group recommended two draft bills. He said the first, 2006 General Session draft legislation "Advertising Property Tax Increases," would change the newspaper advertisement requirements for truth in taxation notices. The second bill, 2006 General Session draft legislation "Voted Leeway Amendments," would exempt school districts from the newspaper advertisement requirement of truth in taxation when budgeting revenue from a voted leeway and imposing a voted leeway tax rate.

MOTION: Rep. Newbold moved to postpone taking action on draft legislation brought forward by the Tax Reform Task Force until the November committee meeting. The motion passed unanimously with Sen. Stephenson, Rep. Harper, and Rep. Hughes absent for the vote.

Pres. Valentine explained that the Sales and Use Tax Working Group proposed creating a refundable grocery tax credit for residents below a certain level of income, exempting certain business inputs, clarifying several confusing and inconsistent issues, and imposing a uniform statewide sales and use tax rate.

Sen. Bramble explained that the Income Tax Working Group proposed four options to modify the individual income tax, proposed draft legislation to create an electable single sales factor apportionment under the state corporate and franchise income taxes, and proposed draft legislation to modify the state gross receipts taxes imposed on certain electrical corporations.

Sen. Hillyard asked whether or not a taxpayer would still be allowed to deduct a portion of federal income taxes paid when computing the taxpayer's state taxable income. Sen. Bramble replied that this deduction would be eliminated under three of the proposals under review.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Gross Receipts Tax Amendments, Repeal and Public Utility Tariffs."

Rep. Allen asked that a summary of the revenue effects of all approved task force legislation be prepared for the next committee meeting.

MOTION: Sen. Hillyard moved to ask the Legislative Management Committee for permission to hold an additional meeting, to be scheduled at the discretion of the chairs, during the month of November after the next scheduled committee meeting on November 9, 2005. The motion passed unanimously with Sen. Stephenson, Pres. Valentine, and Rep. Harper absent for the vote.

3. Progress Report from Tax Commission on Tax Administration Issues

Mr. Rod Marrelli, Utah State Tax Commission, distributed and discussed "Abusive Tax Avoidance Transactions" and "Draft Legislation (Failure to File Penalty)." He explained that these two draft bills would increase penalties to those who make abusive tax avoidance transactions and those who fail to file tax returns.

Ms. Rockwell informed the Committee that the United States Supreme Court has agreed to review a lower court ruling in the case of *Cuno v. DaimlerChrysler, Inc.* She explained that this case involves a challenge to the validity of certain state tax credits and local property tax abatements given to DaimlerChrysler.

Chair Bramble distributed and discussed "TC-23 Monthly Revenue Summary."

4. Progress Report from the Utah Tax Review Commission - Sales and Use Tax Exemptions

This item was not discussed.

5. Other Items / Adjourn

MOTION: Rep. Lockhart moved to adjourn. The motion passed unanimously with Sen. Stephenson absent for the vote.

Chair Bramble adjourned the meeting at 3:44 p.m.